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# CURRENTS Western Canada's Monthly Economic Bulletin

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**CanadaWest**  
FOUNDATION

**Our Vision**  
A dynamic and prosperous West in a strong Canada.

**Our Mission**  
A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

## Monthly Economic Highlights

Canadian employment declined by 45,000 in July, with the unemployment rate remaining unchanged at 8.6%. In the West, employment was down in each province except Manitoba (+1,700). Saskatchewan's job loss in July (-4,700) was

the steepest in nearly four years, but the province's unemployment rate is still the lowest in the country at 4.7%. Since the start of the labour market downturn last fall, BC and Alberta have been among the hardest-hit provinces in terms of job decline,

with only Ontario and Newfoundland and Labrador faring worse across the country.

Inflation in Canada was negative in June (-0.3%), the first 12-month decline since 1994. In Alberta, prices

were down for the third consecutive month (-1.6%) due to a drop in natural gas prices and homeowner's replacement costs. BC prices also fell in June (-0.7%).

In May, wholesale trade declined in all western provinces except BC. Alberta's decline was the largest nationally in dollar terms, due to lower sales of machinery and electronics. On the other hand, retail sales were up all over the West in May, with Saskatchewan growing the fastest (+1.7%).

While manufacturing sales dropped in BC and Alberta (-2.5% and -3.8% respectively), these results were in fact more positive than the national decline of 6.0% in May.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
<b>Labour Markets</b>						
Employment (000s)	2,247	1,986	520	608	16,780	July
% change	-0.3	-0.2	-0.9	0.3	-0.3	
Unemployment rate (%)	7.8	7.2	4.7	5.2	8.6	July
change in percentage points	-0.3	0.4	0.1	0.0	0.0	
Participation rate (%)	65.7	74.5	70.0	69.4	67.2	July
Average weekly earnings (\$)	799.65	948.62	806.66	766.36	820.38	May
% change	1.3	1.3	2.0	0.7	0.3	
<b>Inflation</b>						
Consumer Price Index (% change)*	0.7	1.0	1.0	0.6	0.3	June
<b>Economic Activity</b>						
Housing starts (000s)**	14.1	20.0	5.1	5.0	137.8	June
% change	20.5	40.8	70.0	35.1	8.2	
Retail trade (\$M)	4,399	4,642	1,161	1,213	34,045	May
% change	0.8	0.5	1.7	1.1	1.2	
Wholesale trade (\$M)	4,005	4,853	1,331	1,059	40,097	May
% change	1.0	-2.5	-0.7	-2.1	-0.3	
Manufacturing sales (\$M)	2,602	4,409	938	1,244	38,424	May
% change	-3.8	-2.5	3.6	1.3	-6.0	

\* Compared to same month in the previous year \*\* Annual rate (monthly figures are multiplied by 12 to reflect annual levels)

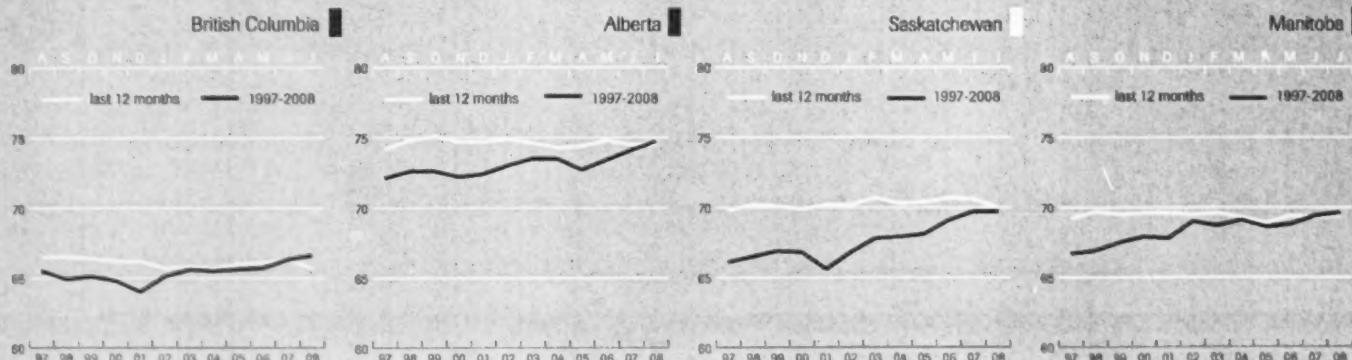
Unless otherwise noted, data are seasonally adjusted and percent change is from previous period Source: Statistics Canada, Canada Mortgage and Housing Corp.

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## Labour Market Participation Rate (%)

Source: Statistics Canada



# WESTERN CANADA'S ENERGY USAGE

## Did you know?

While 11% of the total Canadian population is between the ages of 6 and 14, according to 2006 Census data, this ratio is 19% for the off-reserve First Nations population.

Each week, the average Canadian spends approximately \$28 at restaurants and drinking places.

Over 60 TV series have been filmed in BC, primarily in Vancouver.

Calgary and Medicine Hat have the most sunshine in Canada: Calgary enjoys the sunniest winters while Medicine Hat has the sunniest autumns.

Winnipeg was the first city in Canada to found a United Way charity.

Canadian football is the sixth most-watched outdoor sport in the world, with total attendance of 2.1 million in 2008.

Western Canada's first stage coach robbery happened in Saskatchewan, near the town of Humboldt.

Energy has recently been at the forefront of policy discussions around the world, especially in the context of concern about climate change. Those discussions are accompanied by a number of measurement challenges.

Economist and author Peter Tertzakian recently compared modern society's dependence on energy to obesity. Using this food-based analogy, while the quantity of food a person ingests is a good indicator of overall health, one can't measure it by adding numbers of apples to numbers of steaks. This is why we use calories, a unit of measure of energy, to estimate our food intake across a variety of products. Similarly, in the energy world, we can't add barrels of oil to Kilowatt-hours to get an overall estimate of how much energy we "eat," so we use terajoules, another unit of measure.

This is the approach used by Statistics Canada in its Report on Energy Supply and Demand in Canada-2007, which was released a few months ago. The numbers in this report represent the Canadian economy's total energy use, including energy which is transformed into other commodities (like crude oil into gasoline), energy which is turned into a different form of energy (like burning natural gas to generate electricity) and energy which is directly used to power vehicles, plants and buildings.

The report shows that Canadian final demand for energy (in all its forms) grew 5.5% in 2007. Over the same period, the West's demand jumped 9.5%, with Alberta up strongly (+13.5%) while growth in the other western provinces ranged from 4.5% to 6.3%. Things have changed considerably since

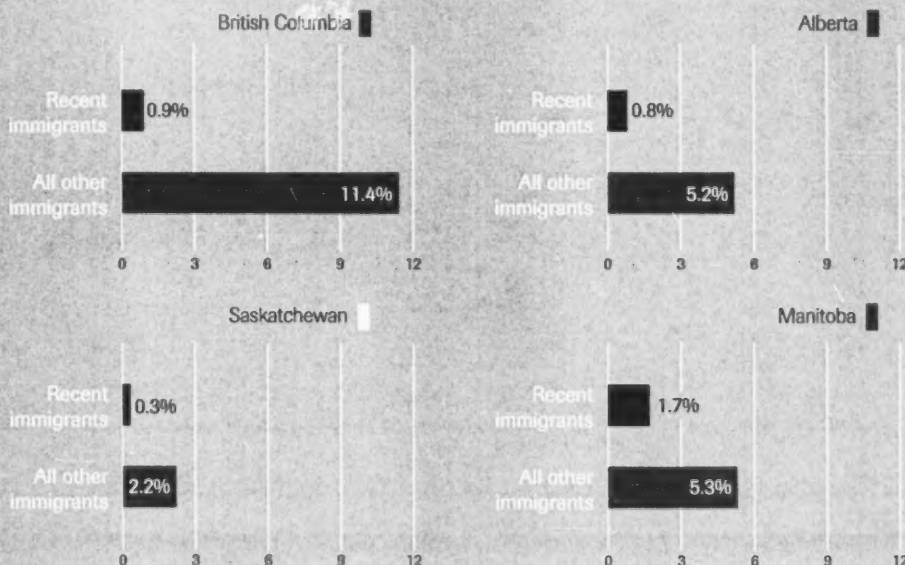
## BEHIND THE NUMBERS

Immigration has been an important source of population growth for Canada, but the 2006 Census shows that recent immigrants to Canada (those who arrived between 2001 and 2006) prefer to settle in large cities.

Somewhat bucking this trend, the West ended up with the largest share of recent immigrants in its rural areas. Recent immigrants accounted for 1.7% of the rural population of Manitoba, the largest proportion nationally, followed by BC (0.9%) and Alberta (0.8%). By contrast, the proportion of recent immigrants within rural zones at the national level was 0.5%.

### New Immigrants as a Percent of the Rural Population, by Date of Immigration

Statistics Canada, 2006 Census



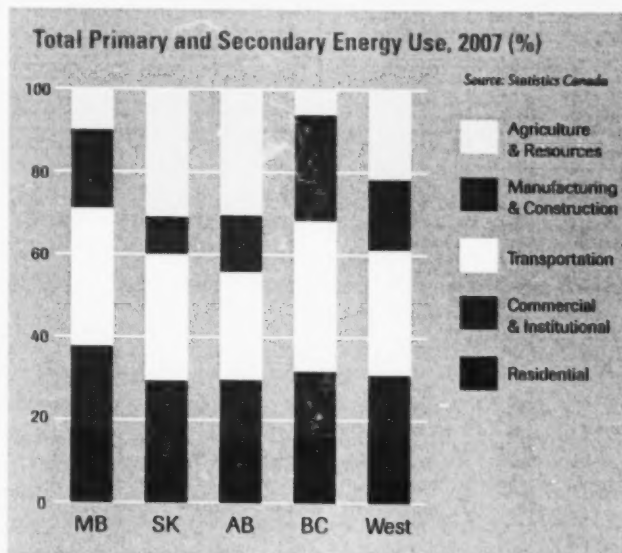


2007 but these energy demand patterns are similar to the economic growth differentials measured back then.

Leaving growth rates aside, the report also provides a measure of the relative importance of economic sectors in terms of demand for energy. One finding is that at 30%, transportation (which includes retail motor fuel sales) uses the most energy in the West, in line with the nationwide share (31%). This raises a question as to whether the oil and gas and manufacturing sectors, which use less energy than transportation, deserve their status as most frequently mentioned targets in forums about climate change policy. After transportation, the biggest energy consumer in the West is agriculture and resources (22%). Consumers use plenty of energy for residential purposes as well: in fact, in BC and Manitoba, their share is as large as that of the commercial and institutional sector (which includes government).

Despite a vast assortment of government initiatives (some more than 30 years old), Canadians' appetite for energy keeps growing, and the West is no exception. The complexity of the issue grows just as well. Many voices are pressing us to choose "cleaner" forms of energy, including for transportation. The reality though is that just like ingredients in a complicated dish, energy sources are interwoven. For instance,

the electricity in our grid is produced by means that range from coal generators to run-of-stream hydro. So when motorists "fill up" their electrical cars, they can't really tell how clean that action really is.



## Industry Spotlight: Okanagan Wineries

Taking advantage of its hilly landscape and arid climate, the Okanagan Valley in central BC is home to national and international award-winning wineries. Over 4,000 acres are dedicated to producing premium grape varieties, which makes the 180 km-long Okanagan Valley the largest grape growing region in the province. In 2008, BC's wine production added up to 15 million litres of wine, more than three times the amount produced in 1995, and 95% came from the Okanagan.

Although the Okanagan Valley's wine-making origins date back to the mid-1800s, it was not until 1990 that its wineries switched to growing premium grapes, the necessary ingredient for world-class wine. That year also marked the introduction in Canada of the VQA (Vintner Quality Alliance) program, an internationally-recognized quality control system.

Organizations supporting BC's wine industry include UBC's Wine Research Centre, the BC Wine Institute, the BC Grapegrowers' Association and the BC Wine Grape Council. Mission Hill, Paradise Ranch, Jackson-Triggs and Quail's Gate are just a few of the wineries operating in the Okanagan Valley.



Quail's Gate winemaker sampling Pinot Noir from barrels in Kelowna, British Columbia.

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## Bring On Those Hordes

by Jacques Marcil, Senior Economist

**Y**ear in, year out, Paris attracts 30 million visitors who are willing to brave crowded museums, outrageously-priced sandwiches and uncertain weather to experience *La Ville Lumière*. Meanwhile, around 1 million people visit Winnipeg annually. What is it that Paris has got that Winnipeg hasn't? Obviously, a lot. This fight isn't fair. But fair or not, the fight is on. Despite their vast differences, both cities are in the game of attracting tourists.

Why does tourism matter so much? From a strictly economic point of view, foreign tourism represents a net influx of currency for an economic area. As such, it's one of the easiest ways to prosperity. Furthermore, contrary to exports, tourism is sheltered from trade politics: barriers to trade are easy to erect, barriers to the freedom of people's circulation, less so. Tourism is also a great equalizer: as soon as a society reaches a certain wealth threshold it can't help but spread that wealth around (often into poorer countries) by traveling. In the West, despite some very visible (and laudable) efforts, we have barely tapped into this source of economic growth.

We should. We have a good line of products. For one, our outdoors are not only diverse (we have rainforests, mountains, beaches and deserts) but also highly in demand by a new growing breed, eco-tourists. Our abundance of geography has been a burden in the past but we can turn it into an advantage. We also offer stable political and meteorological climates, although we often like to complain about both.

Developing tourism also matters because it helps shift us towards a knowledge-based economy. Behind the frontline of lower-skill jobs (waiter, bellboy, housemaid) hide more high-skill ones in marketing, communications, event planning and information technology. A vacation is an odd commodity in that it is purchased a long time before it is consumed. This requires trust, which the provider builds by developing sophisticated knowledge of the customer.

Tourism also represents an opportunity with a lot of potential for First Nations living in remote locations where jobs are otherwise scarce. In Australia, a

number of tourism-based policy initiatives have led to very positive results in the improvement of aboriginal living conditions.

The outlook for tourism is great. The baby-boom generation now has high plenty of disposable income and free time. In addition, newly rich populations in India, China and other recently industrialized countries are eager to see the world. Our piece of the global tourism pie is minuscule, but that pie is expanding fast. Decades from now, permanently high fuel prices may limit travel, especially by air. Now is the time to act, and we need a plan.

Boosting tourism in the West requires collaboration between the four provinces. Why waste resources trying to out-market each other when distinctions between us are lost on the majority of people abroad, who see us as that vast expanse of land west of Niagara Falls?

We also need to encourage more Canadians to visit the West. While the cost of flying here from say, Toronto, is plain ridiculous, a lot of stones remain unturned in the search for a profitable way to entice the rest of the country to visit us at least as much as it visits the US.

But, above all, we must put together a distinct product. Although US tourists, our main market, often leave the impression that they prefer feeling at home while abroad, we won't attract them by selling Alberta as another Montana with colourful dollar bills.

We need to take some chances. All tourists are looking for one thing: to experience something different. This can be found here in very surprising forms. French tourists enthusiastically take pictures of rangy squirrels in Toronto and dine on carb-laden poutine in Quebec (to the dismay of this Quebec-born author). Who says we can't invent something (*anything!*) that will make them come over here as well?

Bear-shaped sockeye salmon jerky, anyone? ■